

DRAFT

SIX-YEAR CAPITAL OUTLAY PLAN ADVISORY COMMITTEE

Meeting Minutes

December 9, 2022

Pocahontas Building 900 East Main Street, Richmond, Virginia

9:30 to 11:30am

Members Present

Stephen E. Cummings, Secretary of Finance

Michael Maul, Director, Department of Planning and Budget

April Kees, Director, Senate Finance and Appropriations Committee

Joe Damico, Director, Department of General Services

Anne Oman, Staff Director, House Appropriations Committee

Wendy Kang, Director of Finance Policy and Innovation, State Council of Higher Education for Virginia—designated SCHEV representative

Agency Staff in Attendance

John Markowitz—Deputy Secretary of Finance

Mike Coppa—General Services

Mike Gray—General Services

Anoop Kaul—General Services

Andrea Peeks—House Appropriations Committee

Tyler Williams—Senate Finance and Appropriations Committee

Banci Tewolde—Planning and Budget

Aimie Gindi—Planning and Budget

Renaë Vanderveldt—Planning and Budget

Emily Grimes—Planning and Budget

Grace Covello—State Council of Higher Education for Virginia

Katie Payne—Virginia Museum of Fine Arts

Rich Sliwoski—Virginia Commonwealth University

Dan Kowalski—Special Advisor to the Secretary of Finance

Other Members of the Public

Ginger Barbour--MWC

Secretary Cummings called the meeting to order.

Upon a motion of Secretary Cummings, seconded by Ms. Oman, the minutes of the previous meeting were approved.

Secretary Cummings asked if there were any comments from the public. There were none.

The next order of business was a report on the status of the pools. Mr. Coppa noted that this information is current as of September 30, 2022. Secretary Cummings asked if the percent of projects listed as complete on the report is accurate; Mr. Coppa confirmed that it is and that many projects are in reality complete, but still need CO-14 forms to be submitted by the agencies in order to reflect that they have been completed. Mr. Coppa noted that many of the projects listed on page four of the report are not completed and that the \$131.6 million deficit listed there goes against the 2022 Chapter 1 supplement. Turning to page five, Mr. Coppa said that the projects in the 2022 Chapter 2 agency and higher education pools are in the early stages, and that the \$1.5 million listed as a transfer from the supplement pool is now up to \$70.5 million because there have been some additional supplement approvals since September 30. In total, there is \$395.6 million in projected savings from the construction pools if the pool numbers are aggregated based on the methodology in the status of the pool report. This aggregated number includes the \$350 million appropriated to the supplement pool in Chapter 1, 2022 Acts of Assembly, Special Session I, in addition to \$100 million designated to be appropriated to the supplement pool based upon fiscal year 2022 revenue conditions that have been met.

Mr. Coppa explained that in addition to the estimates provided in the quarterly state of the pools report, another projection methodology was utilized to estimate the funding needs of all authorized projects. This alternative methodology aggregated the impact of current market conditions and projected inflation in the future for projects that did not yet have a funding report instead of utilizing individual project estimates. In instances where funding reports were available for individual projects, those estimates were used in generating this report in addition to the impact in the previous "Category 1 Risk Estimates" that had been provided for projects in this category. For projects without a funding report, the Division of Engineering and Buildings (DEB) used aggregated budget development numbers (BDN) and assumed 15.6 percent escalation for fiscal year 2022 based upon actual market conditions, 6.6 percent inflation plus 4 percent supply chain impact in fiscal year 2023, and 6.6 percent inflation in fiscal year 2024. The projection also assumed all projects would be under construction by July 1, 2025. Mr. Coppa said that utilizing this methodology, DEB estimates a shortfall totaling \$100 million through July 1, 2025, above what is available for the pools after accounting for the \$350 million appropriated to the supplement pool in Chapter 1, 2022 Acts of Assembly, Special Session I, in addition to \$100 million designated to be appropriated to the supplement pool based upon fiscal year 2022 revenue conditions that have been met. Secretary Cummings asked Mr. Coppa and Mr. Gray to follow up with a list of projects in the Category 1 Risk Estimates now as compared to those that were in that category previously in addition to which projects currently have a funding report. Ms. Kees stated that she would like to keep track of what funding is already available and how those numbers were built; she noted that she would be less inclined to approve funding for things that weren't originally anticipated as part of the original estimate that was used to determine the

amount of the supplement pool if additional supplement funds are not available. Ms. Oman clarified that her perspective was that the funding should not necessarily be restricted to what was anticipated initially.

Ms. Kees stated that she wants more information on whether the DEB estimates include only projects that were considered during the initial estimate process. Mr. Gray explained that the updated analysis is to complete the projects that have been approved to date, including those approved in Chapter 2, 2022 Acts of Assembly, Special Session I. Mr. Maul stated that we do not know enough about the dynamics of each project to give a better number for individual projects, which is why aggregation is the preferred method. Mr. Coppa added that project management can add to uncertainties for individual projects. Ms. Oman asked for clarity in the future on which projects were included in the supplement pool estimates originally and which are in there currently. Secretary Cummings asked to confirm that DEB looked at the same projects, using different methodologies, and found a \$100 million deficit for the alternative aggregated projection method and a \$395.6 million surplus for the usual methodology used in the quarterly state of the pools report; Mr. Coppa confirmed this.

Secretary Cummings noted that he would like to develop guidelines for closing projects out. Mr. Coppa suggested a unilateral CO-14 process. Mr. Maul added that this can be done administratively. He suggested that the Department of Planning and Budget (DPB) put this in year-end instructions to agencies and provide a 12 month warning that projects will be closed out that meet certain criteria. Mr. Coppa suggested that a certificate of occupancy could be used as the criteria to mark a project as ready to be closed.

Secretary Cummings moved that the committee move into closed session pursuant to Virginia Code § 2.2-3711(A)(6) for the purpose of discussing a capital project cost issue related to the investment of public funds where competition or bargaining will be involved, and where, if made public initially, the financial interest of the government would be adversely affected. Ms. Oman seconded the motion and it was so moved by the Committee. Upon returning from closed session, Secretary Cummings asked each member to certify, to the best of his or her knowledge, that only public business matters lawfully exempt from open meeting requirements under the Freedom of Information Act and only those public business matters identified in the motion convening the closed meeting were heard, discussed or considered in the closed meeting; each member so certified.

Mr. Maul moved to allow the Virginia Commonwealth University Arts and Innovation facility to move forward with the schematic cost target calculated by the Department of General Services (DGS), and to have additional information come back to the Committee prior to the issuance of the funding report.

Mr. Maul then noted that the Department of Military Affairs is determining what can be done internally versus what help will be needed from the Commonwealth to supplement the Roanoke Readiness Center project. He said the agency will have future conversations with DEB and DPB on this matter. As for the Daniel Gym project at Virginia State University, he said that the agency is working on calculations with the contractor to hopefully reduce what they will

need for the project as a supplement. Mr. Coppa brought up the Virginia Military Institute project to renovate and expand engineering and laboratory facilities. Mr. Gray said that the scope of this project has been changed, and that the schematic report is over BDN. Mr. Coppa said that the Committee will be notified of the details of these changes shortly.

There being no further business, the meeting was adjourned.